

AMENDED IN ASSEMBLY JUNE 19, 2003

AMENDED IN SENATE MAY 12, 2003

AMENDED IN SENATE APRIL 22, 2003

SENATE BILL

No. 409

Introduced by Senator Hollingsworth
(Coauthors: Senators Alpert, Denham, *Ducheny*, Johnson,
Margett, and Vincent)
(Coauthors: Assembly Members Bates, Benoit, Cogdill, and
Pacheco)

February 20, 2003

An act to amend, ~~repeal, and add~~ Section 17070.75 of, and to add and repeal Section 33129.5 of, the Education Code, relating to school finance, and making an appropriation therefor.

LEGISLATIVE COUNSEL'S DIGEST

SB 409, as amended, Hollingsworth. School finance: reserve accounts.

(1) Existing law, the Leroy F. Greene School Facilities Act of 1998 (the Greene Act of 1998), requires the State Allocation Board to allocate to applicant school districts, prescribed per-unhoused-pupil state funding for construction and modernization of school facilities, including hardship funding, and supplemental funding for site development and acquisition.

Existing law requires the board to require school districts that receive funding under the Greene Act of 1998 to establish a restricted account within the school district's general fund and to deposit an amount equal to 3% of the school district's general fund into the fund for maintenance of school facilities. Existing law requires that, for a county office of

education, the 3% calculation be based upon the general fund less any restricted accounts.

This bill, ~~until July 1, 2007~~, would also require that the 3% calculation be based on the general fund less any restricted accounts for a school district that receives funds under the Greene Act of 1998.

(2) Existing law requires the State Board of Education to adopt standards and criteria to be used by local educational agencies in the development of annual budgets and the management of subsequent expenditures from that budget. Existing law requires those standards and criteria to include comparisons and reviews of reserves and fund balances.

This bill, *commencing with the 2005–06 fiscal year and each fiscal year thereafter* until July 1, ~~2007~~ 2010, would permit a school district or county office of education to ~~utilize a portion of the state-funded amount provided for any categorical program, with specified exceptions, to meet the standards and criteria regarding available reserves and fund balances~~ *meet the standards and criteria for a minimum reserve for economic uncertainties by maintaining a reserve for each state and locally funded categorical education program, except as specified, in proportion to the percentage of the minimum reserve for economic uncertainties for that district or county office. The bill would require the remaining balance of the reserve for economic uncertainties to be met with funds from unrestricted accounts.* The bill would permit funds appropriated for the specific purposes of a categorical *education* program to be expended for other purposes, thereby making an appropriation.

Vote: majority. Appropriation: yes. Fiscal committee: yes. State-mandated local program: no.

The people of the State of California do enact as follows:

- 1 SECTION 1. Section 17070.75 of the Education Code is
- 2 amended to read:
- 3 17070.75. (a) The board shall require the school district to
- 4 make all necessary repairs, renewals, and replacements to ensure
- 5 that a project is at all times maintained in good repair, working
- 6 order, and condition. All costs incurred for this purpose shall be
- 7 borne by the school district.
- 8 (b) In order to ensure compliance with subdivision (a) and to
- 9 encourage school districts to maintain all buildings under their

1 control, the board shall require an applicant school district to do
2 all of the following prior to the approval of a project:

3 (1) Establish a restricted account within the school district's
4 general fund for the exclusive purpose of providing moneys for
5 ongoing and major maintenance of school buildings, according to the
6 highest priority to funding for the purposes set forth in subdivision
7 (a).

8 (2) Agree to deposit into the account established pursuant to
9 paragraph (1), in each fiscal year for 20 years after receipt of funds
10 under this chapter, a minimum amount equal to or greater than 3
11 percent of the applicant school district's total general fund less any
12 restricted accounts for that fiscal year. Annual deposits to the fund
13 established pursuant to paragraph (1) in excess of 2½ percent of
14 the school district general fund budget may count towards the
15 school district's matching funds requirement necessary to receive
16 apportionments from the State School Deferred Maintenance
17 Fund pursuant to Section 17584 to the extent that funds are used
18 for purposes that qualify for funding under that section. In
19 addition, any school district contribution to this fund may be
20 provided in lieu of meeting the ongoing maintenance requirements
21 pursuant to Section 17014 to the extent the funds are used for
22 purposes established in that section. A school district that serves
23 as the administrative unit for a special education local plan area
24 may elect to exclude from its total general fund expenditures, for
25 purposes of this paragraph, the distribution of revenues that are
26 passed through to participating members of the special education
27 local plan area. This paragraph ~~is applicable~~ *applies* only to the
28 following school districts:

29 (A) High school districts with an average daily attendance
30 greater than 300 pupils.

31 (B) Elementary school districts with an average daily
32 attendance greater than 900 pupils.

33 (C) Unified school districts with an average daily attendance
34 greater than 1,200 pupils.

35 (3) Certify that it has publicly approved an ongoing and major
36 maintenance plan that outlines the use of the funds deposited, or
37 to be deposited, pursuant to paragraph (2). The plan may provide
38 that the school district need not expend all of its annual allocation
39 for ongoing and major maintenance in the year in which it is
40 deposited if the cost of major maintenance requires that the

1 allocation be carried over into another fiscal year. However, any
2 state funds carried over into a subsequent year may not be counted
3 toward the annual minimum contribution by the school district. A
4 plan developed in compliance with this section shall be deemed to
5 meet the requirements of Section 17585.

6 (c) A school district to which paragraph (2) of subdivision (b)
7 does not apply shall certify to the board that it can reasonably
8 maintain its facilities with a lesser level of maintenance.

9 ~~(d) This section shall become inoperative on July 1, 2007, and~~
10 ~~as of January 1, 2008, is repealed, unless a later enacted statute,~~
11 ~~that is enacted before January 1, 2008, deletes or extends the dates~~
12 ~~on which it becomes inoperative and is repealed.~~

13 SEC. 2. ~~Section 17070.75 is added to the Education Code, to~~
14 ~~read:~~

15 ~~17070.75.—(a) The board shall require the school district to~~
16 ~~make all necessary repairs, renewals, and replacements to ensure~~
17 ~~that a project is at all times maintained in good repair, working~~
18 ~~order, and condition. All costs incurred for this purpose shall be~~
19 ~~borne by the school district.~~

20 ~~(b) In order to ensure compliance with subdivision (a) and to~~
21 ~~encourage school districts to maintain all buildings under their~~
22 ~~control, the board shall require an applicant school district to do~~
23 ~~all of the following prior to the approval of a project:~~

24 ~~(1) Establish a restricted account within the school district's~~
25 ~~general fund for the exclusive purpose of providing moneys for~~
26 ~~ongoing and major maintenance of school buildings, according the~~
27 ~~highest priority to funding for the purposes set forth in subdivision~~
28 ~~(a).~~

29 ~~(2) Agree to deposit into the account established pursuant to~~
30 ~~paragraph (1), in each fiscal year for 20 years after receipt of funds~~
31 ~~under this chapter, a minimum amount equal to or greater than 3~~
32 ~~percent of the applicant school district's total general fund~~
33 ~~expenditures, including other financing uses, for that fiscal year.~~
34 ~~Annual deposits to the fund established pursuant to paragraph (1)~~
35 ~~in excess of 2½ percent of the school district general fund budget~~
36 ~~may count towards the school district's matching funds~~
37 ~~requirement necessary to receive apportionments from the State~~
38 ~~School Deferred Maintenance Fund pursuant to Section 17584 to~~
39 ~~the extent that funds are used for purposes that qualify for funding~~
40 ~~under that section. In addition, any school district contribution to~~

~~this fund may be provided in lieu of meeting the ongoing maintenance requirements pursuant to Section 17014 to the extent the funds are used for purposes established in that section. A school district that serves as the administrative unit for a special education local plan area may elect to exclude from its total general fund expenditures, for purposes of this paragraph, the distribution of revenues that are passed through to participating members of the special education local plan area. This paragraph applies only to the following school districts:~~

~~(A) High school districts with an average daily attendance greater than 300 pupils.~~

~~(B) Elementary school districts with an average daily attendance greater than 900 pupils.~~

~~(C) Unified school districts with an average daily attendance greater than 1,200 pupils.~~

~~(3) Certify that it has publicly approved an ongoing and major maintenance plan that outlines the use of the funds deposited, or to be deposited, pursuant to paragraph (2). The plan may provide that the school district need not expend all of its annual allocation for ongoing and major maintenance in the year in which it is deposited if the cost of major maintenance requires that the allocation be carried over into another fiscal year. However, any state funds carried over into a subsequent year may not be counted toward the annual minimum contribution by the school district. A plan developed in compliance with this section shall be deemed to meet the requirements of Section 17585.~~

~~(c) A school district to which paragraph (2) of subdivision (b) does not apply shall certify to the board that it can reasonably maintain its facilities with a lesser level of maintenance.~~

~~(d) For the purposes of calculating a county office of education requirement pursuant to this section, the 3-percent maintenance requirement shall be calculated based upon the county office of education general fund less any restricted accounts.~~

~~(e) This section shall become operative on July 1, 2007.~~

~~SEC. 3. Section 33129.5 is added to the Education Code, to read:~~

~~33129.5. (a) A school district or county office of education may utilize a portion of the state-funded amount provided for any categorical program, with the exception of restricted federal program funds, proceeds from general obligation or revenue~~

~~bonds, and capital outlay sinking funds, to meet the standards and criteria adopted pursuant to subdivision (a) of Section 33128 regarding available reserves and fund balances.~~

~~(b) The percentage of state funding for a categorical program that may be placed in a budget reserve may not exceed the percentage specified in the adopted standards and criteria as the percentage of funds expended, transferred out, or used that shall be allocated to a budget reserve.~~

SEC. 2. Section 33129.5 is added to the Education Code, to read:

33129.5. (a) For the 2005–06 fiscal year and each fiscal year thereafter, a school district or county office of education may meet the standards and criteria for a minimum reserve for economic uncertainties, as adopted pursuant to subdivision (a) of Section 33128, by maintaining a reserve for each state and locally funded categorical education program in proportion to the percentage of the required minimum reserve for economic uncertainties for that district or county office. The reserve for a categorical education program may include deferred revenue that is owed to the school district or county office of education by the state for that program. After calculating the total amount of funds maintained in a categorical education program reserve pursuant to this subdivision, the remaining balance of the reserve for economic uncertainties shall be met with funds from unrestricted accounts.

(b) Capital outlay sinking funds and the proceeds from general obligation bonds and revenue bonds may not be used for purposes of meeting the minimum reserve for economic uncertainties pursuant to subdivision (a).

(c) Notwithstanding any other law, ~~funds allocated to a budget reserve from a categorical program~~ categorical education funds reserved pursuant to subdivision (a) shall be accounted for as funds received and spent in accordance with requirements of ~~that~~ the categorical program for which they were originally appropriated.

(d) Notwithstanding any other law, ~~funds allocated to a budget reserve from a categorical program~~ categorical education funds reserved pursuant to subdivision (a) may be expended for any purpose for which budget reserves for economic uncertainties, as required by the State Board of Education pursuant to subdivision (a) of Section 33128, may be spent.

1 (e) This section shall become inoperative on July 1, ~~2007~~ *2010*,
2 and as of January 1, ~~2008~~ *2011*, is repealed, unless a later enacted
3 statute, that is enacted before January 1, ~~2008~~ *2011*, deletes or
4 extends the dates on which it becomes inoperative and is repealed.

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